



## REVIEW ARTICLE

### CHOOSING THE EASIEST WAY: ATTRACTING FDI OR BRANDING MACEDONIAN BUSINESS?!

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#### ABSTRACT

FDI represents a potential means of growing and diversifying the SME base and achieving greater integration within global networks. Without a market - there is no trade, and without trade - there is no profit, economic growth and development. Therefore, all economies, especially small ones, are "searching for" and fighting the restless spirit of competition and "hoping" to be a "link" in this international trading concept and supply chains. This paper aims to focus on contribution for developing the strategies that could help to strengthen the SME sector. From one side it could be done through their promoting of integration into, and potential benefits from external markets. Implementation of the strategies should increase the attractiveness of the transition and developing countries for foreign investors which will improve the capacity of the SME sector. From the other side, the policies will strengthen the benefits from FDI to local economies through facilitation of SME trade and capacity building of local SMEs to use the opportunities from the external markets.

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## INTRODUCTION

Strengthening the competitiveness of enterprises implies the company itself to possess features such as, to use resources efficiently and effectively, to be prepared and capable of growing capacity, to be ready to invest, and to show willingness to accept innovation and more advanced technology, looking aggregately - to contribute to the improvement of our economy. In literature is known that for developing and transition economies, FDI represents a potential means of growing and diversifying the SME base and achieving greater integration within global networks. In this way, if we thinking how to promote the connection between FDI and SME, the answer is creating effective policies which are based on seeking large number of locations in the world with similar characteristics, which clearly affect the bargaining position of individual governments with potential investors and represent key factors that policy makers need to consider for attracting and exploit the potential benefits of FDI. In the absence of other locational advantages, competition between places typically focuses on offering lower costs. Regarding nominal convergence, Macedonia is facing with challenges that are common for the most economies in the region and beyond. Thus, uncertainty regarding the movements of prices and expectations of pressure caused by the process of real convergence, are the main challenges for monetary policy in

the medium term. Further, Macedonia is facing with significant transition challenges and only through effective decision of these challenges the country will be able successfully to compete on the EU market. To formulate effective policy, it is necessary researching of the growth of total factor productivity in Macedonia as well as the reasons for low business investment. Macedonia's membership in the EU can improve the industrial situation only if access to a large extent makes Macedonia location from which foreign investors can serve to the EU market. This means that the domestic industry, with FDI must make the necessary changes to its output. These long-term structural shifts in employment and output, can be accelerated through the accession of Macedonia to the EU, i.e. sectoral change can be an important driver of change in aggregate factor productivity and income of workers in different sectors of the economy. In the context of Macedonia and the challenge of the European Single Market, we could help much more if we ask the issue of improvement first of all to regional trade integration. Namely, is its improvement possible for the economies of the Western Balkans, including Macedonia, for the challenge called the European Single Market?

Regional trade integration in the Western Balkans and trade cooperation with European countries is an important prerequisite for increasing regional trade flows and economic development in the region. The fact is that in the last few years significant measures have been implemented in the direction of market liberalization. But it is noted that asymmetric

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